

RRC NEWSLETTER

RUSSIAN RESEARCH
CENTER

Volume XII, No. 3

November 13, 1987

INDUSTRIAL PRODUCTION
FIGURES

Product	Prod. in 1st 9 months of 1987	1st 9 months of 1987 as % of same of 1986
Electricity (billion kw)	1,213	104%
Petroleum (incl. gas cond; mil. tons)	467	102
Natural Gas (billion meters ³)	534	106
Coal (million tons)	568	101
Steel (million tons)	121	100.6
Fertilizer (million tons)	27.1	105
Metal-cutting Tools (bil. rubles)	2.1	97
Robots (thousand units)	10.9	93
Computer Tech. (billion rubles)	3.9	110
Tractors (million h.p.)	38.5	94
Paper (million tons)	4.6	99.7
Cement (million tons)	103	102
Meat (million tons)	8.9	105
Margarine (million tons)	1.1	107
Watches (million units)	52.2	99.9
Radios (million units)	6.0	90
TV sets (million units)	6.6	93
Automobiles (thousand units)	995	100.4

INDUSTRIAL RESULTS FOR
THE FIRST NINE MONTHS OF 1987

The results for 1987 continue to reflect the impasse of the quality control inspections or gospriemka. Production seems to have increased a little, but the production of goods is down where fabrication and quality make a difference.

As for the production of basic industrial goods, there is some good news to report. Oil production, which had actually dropped earlier in the year or been stagnant, rose 6% in the month of September. The overall growth for the full nine-month period is 2%, but the results in September must have been gratifying. There is equally good news in natural gas. For the month of September, natural gas production rose 11%, whereas the rate of growth had been slower earlier in the year. This means that for the whole nine-month period, output is up just 6%, compared to the 7% for the whole 9-month period of 1986 as a percentage of 1985. But certainly General Secretary Gorbachev should be happy about this.

Similarly, the production of electricity is up 4% for the month of September, as well as for the period under consideration. Not quite as impressive is the increase in steel production. It rose only 2% in the month of September, but that is still higher than the rate for the whole nine-month period. In contrast, coal production for the month of September was stagnant.

The Soviets did not apparently publish the size of their agricultural herd as of September 30th. That may mean that the drop in the size of the herds has been continuing.

BALANCE OF TRADE FIGURES FOR
THE FIRST HALF OF 1987

The Soviets have drastically readjusted their trade figures. The most dramatic sign is the significant drop in imports by the Soviet Union. As the accompanying table indicates, imports from Western Europe and Japan fell by almost 700 million rubles. They dropped even more from the grain exporting countries. Exports also dropped, but by a very small margin. Given that oil exports rose during the first quarter of 1987 by approximately 43%, ruble export totals should be even larger, even though oil exports are for only one quarter and these overall export figures are for two quarters. This may very well be explained by the fact that the price of petroleum continued to fall and this hurt Soviet totals.

In any case, the combined effect of the significant drop of almost 1.3 billion rubles in imports to the Soviet Union and the considerably smaller drop in exports has left the Soviet Union with a trade deficit of approximately 1 mil-

lion rubles. That is considerably less than the 2 billion they had for the first half of last year. Including the figures for Finland in the calculation does not change the results in any significant way.

The countries that have suffered most from the Soviet Union's cutback in imports are Japan and Austria, at least by ruble volume.

Corporate Sponsor Seminar Series Joint Ventures in the Communist World

October 26, 1987

As part of its Corporate Sponsor Seminar Series, the Russian Research Center organized a conference examining joint venture activity in China, Hungary and the USSR. The first panel of the conference, featuring Marshall Goldman of Wellesley College and Harvard's RRC, and Tim Gelatt of the law firm of Paul, Weiss, Rifkind, Wharton & Garrison, presented an overview of joint venture legislation and the economic and political climates which gave rise to consideration of economic intercourse with capitalist firms. Professor Goldman identified the major goals of joint ventures in the Soviet Union, both for the USSR itself and for the prospective Western partner. He also pointed out that as might be expected, the Soviet Union is interested primarily in projects which will introduce high technology into the USSR. Unfortunately, the most successful joint ventures in China, to some degree a good indicator of what will happen in the USSR, have tended to rely on imported components and sweat-shop labor.

Mr. Gelatt noted that the legal structure for joint ventures in China is now well developed. While this factor has to some degree diminished certain difficulties faced by Western businessmen first considering joining ventures with the Chinese, there are still major hurdles confronting businessmen in China. Of these, one of the most contentious is hard-currency repatriation. Many problems have been solved by countertrade or concessions on import substitution. Another concern is the ability to recruit specialized labor. Initially, the joint venture was expected to take over the work force of the Chinese partner. Provisions were subsequently made to allow the joint venture greater control over the workforce.

Crucial to the success of any joint venture is the conclusion of an explicit document which covers all possible contingencies and allows for dissolution of the business contract by either party. The second panel of the morning session addressed the topic of negotiating business contracts with the Soviet Union. Michael Petrilli, Manager of International Development at Monsanto, John L. Becker, Director of Affiliate Development for Cummins Engines, and John C. Ackermann, Vice President, International for Combustion Engineering, all discussed their recent experiences in negotiating with Soviet officials. Ms. Sarah Carey, a partner with the law firm of Heron, Burchette, Ruckert and Rothwell, and the legal representative of Combustion Engineering in its negotiations with the Soviet Union, discussed the legal concerns of Western businesses in their relations with Soviet partners and certain problems which still exist and must be dealt with in a final contract or letter of intent.

The first of the three afternoon panels focused on two firms which have successfully negotiated joint ventures with the Soviet Union and are in production today. Ulf Ronnholm is President of Oy Sadolin Ab, a Finnish firm whose joint venture will produce paints, sealants, wood-protecting products and the like in Estonia. Production started on September 1, 1987 and the joint venture is already making a profit. The agreement provides for the production and sales of semi-manufactured goods and raw materials related to the products. He stressed that it is important that contracts with suppliers are made before agreeing to the joint venture. By exporting raw materials relating to these end products, the Finnish firm will be able to obtain the necessary hard currency. Mr. Ronnholm noted his belief that in the future, more and more Finnish-Soviet trade will be channelled through joint ventures. James Talbot, President of US-USSR Marine Resources International discussed his firm's ten-year relationship with the Soviet fishing industry and how the business commitment has evolved over time and with increasing trust and mutual respect.

Is there anywhere Western businessmen can look to for guidance as to how joint ventures may evolve in the Soviet Union? One suggestion is to look at the experiences of joint ventures in other centrally planned economies. The second and third of the afternoon panels discussed Western efforts to establish joint ventures in the People's Republic of China and Hungary. Mark C. Israelsen, Managing Director of the Asia and Pacific Division of Electronic Data Systems Corporation, discussed his company's joint venture with China. John Marshall, Director of Business Development International for the 3M Corporation, discussed the option of wholly-owned subsidiaries and why 3M chose this strategy over a joint venture operation.

The final panel of the afternoon examined the experience of Western businessmen in Hungary. Llewellyn C. Werner, former President and Chief Executive Officer of Crown Coach International, discussed Crown Coach's efforts to produce buses in Hungary. John Kiser, President of Kiser Research Inc., discussed his company's efforts to identify technology in Eastern bloc countries and market it effectively to Western concerns.

The conference was adjourned at 4:45 p.m. While transcripts of the conference are not available, we do have cassette tapes of all panels for those who were unable to attend the conference. Contact Catherine Reed for information.

SOVIET AGRICULTURE UNDER MIKHAIL GORBACHEV

Our final Corporate Sponsor seminar of the 1987-88 year will take place on February 1, 1988 at the Harvard Faculty Club. The topic of discussion will be Soviet agriculture under Gorbachev. We are in the final organizational stages and will include a program and application in the next issue of the Economic Newsletter.

ARDEN HOUSE 1988

"DETENTE REVISITED?"

The 12th annual Arden House Conference on American-Soviet Relations is scheduled for March 25 through 27, 1988. For those of our readers who have not had the opportunity to attend Arden House, the conference is sponsored jointly by Harvard's Russian Research Center and the Harriman Institute of Columbia University. This year's program topic is "Detente Revisited?" and promises to yield an exciting and stimulating weekend of panels and discussions. We are pleased to announce that our keynote speaker will be Ambassador Jack Matlock and our congressional panel will include Senator Timothy Wirth and Congressman Steny Hoyer. Panel topics include "The Process of Democratization," "Ramifications of Glasnost," "After the Summit: What's Next in Arms

Control," "Lessons from Toshiba," "The Soviet Union in the International Business Community," and "The State of Economic Reform." Programs and application forms will be mailed out in December. For further information, contact Marshall Goldman or Catherine Reed at (617) 495-4038.

FOREIGN EXCHANGE INFORMATION

Rubles Purchased per 100	October 21 1987
Austrian shilling	05.00
UK pound	15.04
FRG mark	35.22
US dollar	62.34
French franc	10.51
Japanese yen	00.442
Italian lira	00.0487
Swiss franc	42.44

The Russian Research Center takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed.

RRC@1987

SOVIET BALANCE OF TRADE: 1st HALF OF 1980 through 1987

(Million Rubles)

EXPORTS FROM THE USSR:

	1980	1981	1982	1983	1984	1985	1986	1987
Austria	280	392	346	271	381	370	286	169
Belgium	401	249	530	501	577	384	280	345
Great Britain	320	349	416	502	691	549	591	674
Greece	187	350	275	173	224	238	102	110
Denmark	122	74	199	157	153	132	69	47
Spain	104	156	77	148	163	299	37	187
Italy	893	1066	1362	1446	1503	1019	757	838
Netherlands	567	430	715	895	727	402	290	387
Norway	27	28	37	30	50	56	29	26
Germany	1067	1207	2059	1614	2314	1864	1588	1134
France	930	1082	1168	1140	1238	990	751	689
Switzerland	173	90	181	257	187	182	161	164
Sweden	142	93	159	293	293	235	142	189
Japan	471	407	390	388	409	456	471	449
SUBTOTAL	5693	5973	7914	7815	8910	7176	5554	5408

Sub-Balance
of Trade

-261 -760 +1701 +859 +2642 +614 -411 +122

IMPORTS TO THE USSR:

	1980	1981	1982	1983	1984	1985	1986	1987
Austria	160	258	251	380	481	403	437	312
Belgium	176	268	329	305	271	298	253	197
Great Britain	516	631	354	369	395	392	301	287
Greece	44	71	78	93	64	69	33	21
Denmark	39	151	42	42	51	51	100	46
Spain	67	323	101	148	152	102	107	89
Italy	429	498	592	793	679	659	726	860
Netherlands	178	344	217	314	132	158	126	140
Norway	39	58	34	53	46	39	46	28
Germany	1603	1586	1525	1893	1726	1680	1547	1417
France	937	922	727	973	907	1006	685	649
Switzerland	205	291	224	211	196	283	270	303
Sweden	132	207	207	145	132	177	148	137
Japan	907	1168	1532	1237	1036	1245	1293	770
SUBTOTAL	5432	6733	6213	6956	6268	6562	5965	5286

U.S.A.

Canada

Australia

New Zealand

Argentina

Brazil

87	57	76	132	139	147	143	102
15	28	14	19	9	8	6	8
3	8	6	3	6	11	5	5
1	2	3	1	3	2	2	2
20	23	15	15	14	23	38	12
12	5	90	6	68	27	22	30

764	892	1672	878	1272	1764	845	411
321	489	554	651	388	408	266	275
441	381	411	278	312	402	410	217
115	96	166	108	31	51	63	50
590	1060	840	798	727	769	126	225
139	384	275	281	228	169	154	99

TOTAL 5831 6096 8118 7991 9149 7394 5770 5567

Balance of Trade

-1971 -3939 -2013 -1959 -77 -2731 -2059 -996

Finland

774 836

1082 1056

6544 6403

8911 7619

-2367 -1216

THE SOVIET UNION

Confused, confusing signals emanating from Gorbachev

His problem-plagued economic reforms lead to some strange goings-on

By Marshall I. Goldman

Last week's celebration of the 70th anniversary of the Bolshevik Revolution in Moscow was marked by an uncharacteristic period of self-doubt and confusion. What is to be made of Mikhail Gorbachev's speech on Monday, in which he criticized Josef Stalin, but in a somewhat restrained manner? There had been indications that it was going to be a much more thoroughgoing attack. After all, Gorbachev himself had insisted that, if the Soviet Union is to move forward, there must be no unopened pages in Soviet history. But after his speech, many of the pages are still closed. Except for the fact that Gorbachev's speech was public while Nikita Khrushchev's denunciation of Stalin in 1956 was secret, Gorbachev has not really moved very far.

Then, what is to be made of Gorbachev's chaotic response to President Ronald Reagan's initiative that Gorbachev visit the United States for a summit meeting? First it's on, then it's off, then it's on. That sounds more like the vacillation of the Jimmy Carter administration than the usually smoothly-operating Soviet foreign-policy machine.

Internal squabbling

In the midst of all this comes the startling revelation of a major squabble at a surprise meeting of the Soviet Central Committee on Oct. 21. Frustrated at the pace of reform, Boris Yeltsin, the head of the Moscow Communist Party, unexpectedly lashed out at those he regarded as opponents of the reform. In particular, he singled out Yegor Ligachev, the second senior official in the Politburo and Secretariat after Gorbachev. There is reason to believe that he also criticized Viktor Chebrikov, the head of the KGB. In his anger, Yeltsin ended up with some indirect criticism of Gorbachev as well. As if that were not enough, Yeltsin, according to the reports, went on to accuse Gorbachev of succumbing to the cult of the personality.

There is reason to believe that all these events are tied together by a common link, and that is the resistance Gorbachev is meeting in his effort to reform the Soviet economic and political systems. Unless he can pacify his growing opposition by coming up with concrete results, he may find himself out of a job within five years. Indeed, many in the Soviet Union are beginning to wonder where the results are. For that matter, Gorbachev himself wants to know. In a speech he gave on Oct. 13 in Leningrad, a week

before the Oct. 21 blowup in the Central Committee, Gorbachev said, "Two and a half years, I think, for a revolutionary process, when everything is moving rapidly and developing, is a long time."

Gorbachev is well aware of the fact that he has little to show. A few days earlier in Murmansk, he confessed that "It was distressing and hurtful to listen to the workers' rebukes of yesterday." In his frustration, he has begun to blame his underlings — some of whom he appointed himself. Clearly, he has been looking for ways to make his bureaucrats more responsive. But how far should he go? While visiting Leningrad, he mused, "I do not at all want it... to be understood as an appeal — as was once the case during the years of the Cultural Revolution in China — to open fire on the functionaries. No, no, comrades, it would be a mistake." That Gorbachev should acknowledge that he even contemplated such a traumatic event suggests how frustrated he must be. However, the fact that the Soviet general secretary had even hinted at such a prospect was evidently considered to be so inflammatory that when Soviet newspapers printed the text of Gorbachev's Leningrad speech, they omitted this particular paragraph.

The Yeltsin outburst

Not surprisingly, Gorbachev is not the only one to bemoan the resistance to the reform process. Boris Yeltsin is also very worried. As an outsider from Sverdlovsk who was brought in to shake up the Moscow bureaucracy, he evidently has been shocked by the ineptness that he has found. In a widely reported speech in April 1986, Yeltsin took almost every department of the Moscow municipal government to task for failing to provide adequate services. Naming names, he pointed to 50 or so bureaucrats who had used their jobs to enrich themselves rather than the people they were supposedly serving.

But there has been little progress since then and, in a fit of obvious frustration, Yeltsin, in an August speech to the Moscow City Council, acknowledged that "Today there is evidently no need to report on achievements, especially and unfortunately since in terms of end results, not very much has been achieved." He went on to complain that: "Much has been said, but the results are insignificant. We can perceive the reemerging symptoms of a most dangerous illness, which has ruined numerous wonderful initiatives in the past — the lack of discipline among our party leaders

when any decision could remain unfulfilled or be delayed, postponed or drowned in endless examination, coordination and clarifications."

Yet while Yeltsin has been upset about the lack of any meaningful reform, conservatives such as Ligachev and Chebrikov have been complaining bitterly that the reforms have already gone too far. Ligachev, for example, in a speech to educators last summer, indicated he was distressed by the fact that "people abroad, and even some people in our own country, tried to denigrate the entire path of the building of socialism in the USSR, to present it as an unbroken chain of errors."

It turns out that the "even some people in our own country" refers to General Secretary Gorbachev, who consistently speaks of the "precrisis" condition of the Soviet economy, most recently in his speech last Monday. Going even further, in a speech in Riga last February, Gorbachev explained why economic reform was so important. In that speech, he said that the economy "had gone downhill so that it stank — sorry, I am telling it like it is."

Ligachev has other criticisms of Gorbachev's policies. He is very much concerned with the move away from socialism. As Ligachev put it, "Among the class opponents are those who... entertain hopes that the Soviet Union will deviate from socialism in the direction of a market economy, ideological pluralism and Western democracy. Vain hopes. We will never leave the Leninist paths." But if Gorbachev's reforms are accepted, these are exactly the kinds of changes that will be made.

Ligachev's criticism about how far the reform process is expected to go, and to some extent has gone, is echoed by Chebrikov, the head of the KGB. In a hard-line speech this September commemorating the birthday of F. E. Dzerzhinsky, the first head of the KGB, Chebrikov attacked what he said is the effort by "imperialism's special services... to instill in Soviet people the bourgeois understanding of democracy... and install political and ideological pluralism." Again, this program Chebrikov attacks is as much Gorbachev's agenda as it is of "the special services."

There is reason to believe the report that Yeltsin also attacked Gorbachev, at least by implication. After all, the reforms have bogged down. Moreover, Gorbachev is beginning to take on some of the trappings of the cult of the personality. True, Gorbachev has discouraged pictures of himself, and

he is not quoted on every subject, but this is the age of television, and his picture is all over Soviet television. Also, he has just published a book. Moreover, it seems he has begun to take his power for granted. During his visit to Murmansk in October, he ordered I.S. Belousev, the minister of shipbuilding, to "sit down" in a most humiliating way. This is just the way Khrushchev used to behave.

Walking a tightrope

The Oct. 21 Central Committee outburst explains much of what has followed since. When Secretary of State George Shultz appeared on Oct. 23 to meet with Gorbachev in Moscow for what the Soviets promised would be a meeting to set the date for a summit, Gorbachev was clearly distracted. After the Oct. 21 flare-up, he first had to smooth out things at home. Until that was done, he dared not agree to go to a summit. Four days later, things had calmed down a bit, and he sent off Eduard Shevardnadze, the minister of foreign affairs, to Washington to deliver a letter and make the arrangements that had been promised earlier - making Shevardnadze one of the highest paid mailmen in history.

Finally, it also is clearer now why Gorbachev's speech last Monday provided only a half glimpse of glasnost. He is walking a tightrope - trying to balance off the conservatives, who have become openly critical about what they see as the chaos evolving from these reforms, and the reformers, who complain equally openly about how disappointing the results have been so far.

Gorbachev's balancing act reflects why it is that economic reform in the Soviet Union is so difficult to implement. It also explains why others who have tried before him have failed - and why Gorbachev is likely to suffer the same fate.

A bittersweet celebration for Gorbachev's people

By Marshall I. Goldman

Special to The Christian Science Monitor

Cambridge, Mass.

The celebration of the 70th anniversary of the Bolshevik Revolution this week brings with it considerably more introspection than the Soviets normally associate with such occasions.

In the past, anniversaries of this sort have been marked by braggadocio and bluster. The Soviet road was the road of the future. The future was theirs, and all claims to the contrary were nothing more than bourgeois falsification.

In truth, the Soviet Union did have much to boast about.

Soviet leaders took what was once one of the most backward countries of Europe and turned it into the world's second-largest economic and military power. They introduced central planning - and with it they managed to mobilize the country's meager resources and transform the Soviet Union into the world's largest producer of steel, petroleum, natural gas, and machine tools.

In the process, a country that had been 80 percent peasant and illiterate was made into an urban society that

awed the world with its breakthroughs in space and weaponry. Its elimination of unemployment, the improvement of life expectancy, and the attainment of record rates of economic growth made it the envy of many of the poorer nations of the world, a model they sought to emulate.

There was reason for us to worry when in 1959 and 1960 Nikita Khrushchev warned that the Soviet Union would overtake and surpass the United States by 1970 or at the latest 1980.



PAST from page 1

These particular predictions of Khrushchev are little remembered today. If anything, his most important legacy to the Soviet Union was his effort to de-Stalinize and demystify the past. That is continuing with a vengeance today. This made Soviet conservatives nervous then, just as they are now. At the same time the incomplete process begun by Khrushchev haunts Soviets liberals who warn that if any pockets of history are left unexamined, this may open the way again to future Stalinist-type abuses.

But it is not only history that is being subjected to this new outspokenness. Soviet leader Mikhail Gorbachev himself has taken the lead in this effort. With unprecedented candor, Mr. Gorbachev has called into question almost every aspect of Soviet life.

Sweeping changes come to Moscow

Under Gorbachev, a new minister of public health was appointed who promptly acknowledged the deplorable state of Soviet health services. After several years of secrecy, new statistics were published which confirm that in recent years life expectancy has fallen and infant mortality risen.

The same Communist Party leaders who were once hailed for their leadership and good works are now denounced for their corruption and ineptitude. Some

have lost their party memberships and others have been placed in prison. Government officials in Moscow are told to get out of their limousines, forsake the well-stocked stores and clinics that are specially set aside for the party and government aristocracy, and line up like the masses. Maybe then, their critics argue, they will come to understand why the population is discontented and alienated.

Gorbachev's most persistent criticism however, has been directed at the Soviet economic record. Instead of the economic successes that have been trumpeted all these years, Gorbachev has revealed that the Soviet economy, in his words, is in a pre-crisis condition. Economic growth statistics, he confesses, have exaggerated the actual results. So he fires the head of the main statistical agency and reorganizes the agency.

The faulty statistics helped to mask the facts that the population has been ill-served and that there are still at least periodic shortages of even basic commodities like meat, fruit, and vegetables. At the same time, the Soviet Union is falling further and further behind in the race to master high technology. The gap in computer sophistication between the Soviet Union and leading industrial nations is growing.

All of this is disorienting to those who have insisted all these years that Soviet accomplishments and

growth were unmatched. Nor is this disquiet limited to the masses. Writing in the government daily *Izvestia*, a reporter repeats a comment from an official that he overheard after a recent meeting of the party Central Committee.

"It is not turning out all that well," the official said. "They've [past Soviet leaders] repeated for 70 years that there can be no crises at all in our country. Now, here is a party leader admitting before everyone a pre-crisis condition of the economy. What will they think of us over there [in the West]?"

Fundamental policies under attack

Nor could these officials have been happy with the article by Nikolai Shmelyov that appeared in the June issue of *Novy Mir*, a well-regarded journal. In it, Mr. Shmelyov discussed in detail how perverse Soviet policies have been — from the ouster of the country's best farmers from the villages during the process of collectivization to the suppression of any individual initiative and the adoption instead of the central planning system.

No wonder the Soviet Union finds itself to be one of the largest importers of grain in the world, whereas before the revolution it was one of the world's largest grain exporters. No wonder it imports advanced machinery from the West, only to find that at best that same machinery is able to operate at only two-thirds of the Western level of productivity.

If the discovery of the real truth were not enough, Gorbachev has undertaken to introduce a series of reforms that promise to bring the Soviet Union many of the very institutions past Soviet leaders have insistently denounced.

Gosplan, the central planning commission that was always regarded as the secret of Soviet success, is now to become no more than an advisory committee. Prices that have been rigidly controlled and infrequently changed, thereby guaranteeing what was said to be an inflation-free society, will soon be allowed to fluctuate. That means increase. And that has set off hoarding.

Factories that have been producing unwanted goods will be closed down and their workers fired. Private business, which has been banned since the 1920s, is legal again, and private businessmen are being urged to show initiative and enrich themselves. After being thrown out of the country in the late 1920s, foreign businessmen are being welcomed back and offered the chance to set up joint ventures on Soviet territory with as much as a 49

percent equity in the business.

Gorbachev has even begun to call for convertibility of the ruble. If carried out, these measures will bring inflation, unemployment, unequal incomes, exploitation of Soviet workers, and an end to Soviet immunity from economic business cycles of a capitalist world. Imagine how those in the Soviet Union who have come to believe in the virtues of communism must feel as they see what they consider shameful aspects of capitalism being introduced in their own country.

Nor can Soviet leaders or their people derive much satisfaction from the Soviet Union's relationships with the outside world. Economically the Soviet Union, just as in the days of the czars, continues to have trouble finding customers willing to pay for their manufactured goods. Just as 80 years ago, the Soviet Union remains an exporter primarily of raw materials.

When is an ally not an ally?

Politically the Soviet Union also has little to boast about in its international relations. The Soviet Union finds itself involved almost exclusively with problem cases. The East European countries, which were formerly considered allies, are often politically and economically unreliable. The less formally affiliated states, such as Ethiopia, Afghanistan, Cambodia, Angola, Cuba, and Nicaragua, have become economic burdens.

Moreover, the Soviet Union, which traditionally found itself aligned with outsiders in their struggle with totalitarian regimes, now finds itself in almost every instance aligned with insiders defending the status quo against insurgent forces that are calling for democracy.

It is true that Gorbachev has promised his people a new beginning. But this beginning requires the scrapping of so much that has been unique and the acknowledgment that the inevitable victory of world communism may take considerably longer than promised. Those facts have forced more and more Soviets to wonder, often aloud, if the sacrifices of the last 70 years have really been worth it.

Marshall I. Goldman is professor of economics at Wellesley College, associate director of the Russian Research Center at Harvard University, and author of "Gorbachev's Challenge: Economic Reform in the Age of High Technology."